

Subordination Processing Guide

NAME OF APPLICANT		TYPE OF OPERATION				
CASE NUMBER		ALSO INVOLVES <input type="checkbox"/> Direct Loan <input type="checkbox"/> Guarantee <input type="checkbox"/> DALRS <input type="checkbox"/> Transfer				
LENDER		SUBORDINATION AMOUNT			PROPOSED MATURITY DATE	
APPROVAL SUMMARY						
APPROVAL AUTHORITY: FLO, CED, FLM, DD, SED (Circle One) (Cannot exceed direct loan approval authority)		Existing Subordination Principal Balance: \$ _____ Amount of New Subordination: \$ _____ Total: \$ _____				
SUBORDINATION PURPOSES: _____						
SECURITY CONSIDERATIONS						
SECURITY TO BE SUBORDINATED	APPRAISAL DATE	SECURITY VALUE	PRIOR DEBTS	PROPOSED SUBORDINATION	FSA DEBT	EQUITY
<input type="checkbox"/> Crops						
<input type="checkbox"/> Livestock						
<input type="checkbox"/> Equipment						
<input type="checkbox"/> Real Estate						
<input type="checkbox"/> Other:						
TOTAL						
ARE THE AGENCY LOANS ADEQUATELY SECURED AFTER THE SUBORDINATION OR IS THE VALUE OF THE LOAN SECURITY INCREASED BY THE AMOUNT OF THE SUBORDINATION? <input type="checkbox"/> YES <input type="checkbox"/> NO						
SUBORDINATION CONDITIONS						
<input type="checkbox"/> FOR SUBORDINATIONS OF CHATTEL SECURITY Are the seven conditions required by FmHA Instruction 1962-A, Section 1962.30(b) met, including limiting the amount subordinated of basic security, subordination limited to a specific amount with a specific maturity date, only one subordination issued at one time with the same security, no controlled substance conviction, meets HEL and wetland provisions, ability to repay the subordination (current Farm Business Plan or similar acceptable plan), and is the Agency adequately secured after the subordination or is the value of the loan security increased by the amount of the subordination. Discuss the seven conditions under the Collateral, Capacity, Capital, and Conditions (4 C's) sections of the Credit Presentation of the Farm Business Plan.						
<input type="checkbox"/> FOR SUBORDINATIONS OF REAL ESTATE SECURITY Are the eleven conditions required by FmHA Instruction 1965-A, Section 1965.12(a) met, including the purpose of the subordination for an authorized direct loan purpose or to refinance debt, Agency debt cannot be refinanced, documented ability to repay (current FHP), development meets Agency objectives, are funds controlled when used to develop or acquire land, Agency lien obtained if land purchased or exchanged, no controlled substance conviction, is the Agency adequately secured after the subordination or is the value of the loan security increased by the amount of the subordination, subordination limited to a specific amount with a specific maturity date, and only one subordination issued at one time with the same creditor on the same security. Discuss the seven conditions under the Collateral, Capacity, Capital, and Conditions (4 C's) sections of the Credit Presentation of the Farm Business Plan.						
<input type="checkbox"/> LOAN ASSESSMENT UPDATED						
RECOMMENDED BY:				DATE:		
APPROVAL OFFICIAL'S COMMENTS: _____						
<input type="checkbox"/> Approved <input type="checkbox"/> Rejected						
APPROVAL OFFICIAL'S SIGNATURE:				DATE:		

FARM LOAN PROGRAMS - SUBORDINATIONS

APPLICANT'S NAME: _____

PART II ITEMS REQUIRED FROM APPLICANTS FOR A COMPLETE APPLICATION

Date Received	By Whom	(Required for Subordinations)
_____	_____	(1) Form FSA 410-1, "Request For Direct Loan Assistance;" (Items 1, 10, 27A, 27B, 41A, 41B, 42A, and 42B to be completed for subordination requests.)
_____	_____	(2) Form RD 465-1, "Application For Partial Release, Subordination, Or Consent." For real estate only.
_____	_____	(3) Letter from lender requesting the subordination with the specific amount, maturity date, and security to be subordinated identified.
_____	_____	(4) Completed Form FSA 2037, "Farm Business Plan – Balance Sheet," (Recommended) or equivalent balance sheet.
_____	_____	(4) Form FSA 2038, "Farm Business Plan Worksheet – Projected Income and Expenses," (Recommended) or equivalent projection of income, expenses, and debt repayment.
_____	_____	(5) Monthly cashflow statement for annual operating loans and others as needed.
_____	_____	(6) If the lender's financial statement or cash flow budget are being utilized, obtain the borrower's signatures on all forms.
_____	_____	(7) Form AD 1026A, attached to either Form AD 1026 or AD 1026-U and completed by FSA. Required only if changes have occurred on prior year's AD 1026 and 1026-U.
_____	_____	(8) Form SCS-CPA-26, "Highly Erodible Land and Wetland Conservation Determination," completed by NRCS for HEL and wetlands referrals required by Form AD 1026A.

PART III FSA ACTION AFTER RECEIPT OF FORM FSA 410-1

Date Received	By Whom	(Required for Subordination Requests)
_____	_____	(1) When Form FSA 410-1 is received, complete Item 31A Form FSA 410-1 and enter in MAC.
_____	_____	(2) Check Item 26 of Form FSA 410-1 for identified relationship or association with FSA employees. For those identified sent Guide Letter 1900-D-2.
_____	_____	(3) If all of the required application forms have NOT been received, send a letter similar to FmHA Guide Letter 1910-A-1 (20 day letter) (copy to DD) to the applicant and request forms and information needed within 10 days after receipt of an application.

PART IV FSA ACTIONS AFTER RECEIPT OF COMPLETED APPLICATION

After receipt of **ALL** completed forms and information required of the applicant are received application will be considered complete. FSA approval or disapproval should be given within 60 days of this date.

Date Received	By Whom	(Required for Subordination Requests)
_____	_____	(1) Document here the date of complete application and post this date into MAC and complete Item 31B of FSA 410-1. <u>This is the date the last required document is received.</u> DATE OF COMPLETE APPLICATION: _____
_____	_____	(2) For Subordination of Chattel Security: If an existing appraisal exceeds 2 years or major changes have occurred, prepare Form FSA 440-21, "Appraisal of Chattel Property." _____ Post WLS 4061 to MAC for contracted RE appraisal _____ Post WLS 4060 to MAC for RE appraisal completed by FSA
_____	_____	(3) For real estate subordinations, order a real estate appraisal or obtain one prepared for the lender if it complies with the requirements of the 1-FLP Handbook.
_____	_____	(4) Review and revise Forms FSA 2037 and 2038 and other components of the Farm Business Plan as needed with the Applicant. Make sure it is complete, dated, and signed and must be consistent with historical performance.
_____	_____	(5) Complete Form FSA 1962-1, "Agreement For the Use of Proceeds/Release of Chattel Security." The period covered by the 1962-1 must match the period of the projected Income and Expenses," and must be in ink. (For chattel loans only)
_____	_____	(6) Real estate appraisal report received. _____ Post WLS 5002 to MAC for contracted RE appraisal _____ Post WLS 4062 to MAC for RE appraisal completed by FSA
_____	_____	(7) Update the Farm Assessment and Credit Presentation of the Farm Business Plan.
_____	_____	(8) Include the suggested language immediately after numbered paragraph 3 on page 2 of Form FSA 460-2, "Subordination By The Government," (Rev. 03-19-03), "and in any event, is subject to a maximum limitation not to exceed \$_____." EXAMPLE: principal sum of the subordination = \$100,000, 6 months interest accrual at 6% = \$3,000, foreclosure costs = \$5,000; maximum limitation = \$108,000. Added language: "and in any event, is subject to a total limitation not to exceed \$108,000."
_____	_____	(9) Previously issued Form FSA 460-2, "Subordination By The Government," must be returned and marked paid in full.

CLOSING REQUIREMENTS

Date
Obtained
Check if
Required

Amend or Continue Financing Statement (Secretary of State)	()	
Amend or Continue Financing Statement (County)	()	
UCC and EFS Lien Search (Secretary of State) required if a lien search is not currently in the file, or any time that crops are added.	()	
Brand Certificate, Bill of Sale	()	
Machinery Bill of Sale	()	
Preliminary Title Report	()	
Title Insurance (mortgagees policy)	()	
Insurance: Fire and extended coverage () Flood () Chattels () Other ()	()	
Form RD 426-2, "Property Insurance Mortgage Clause," or equivalent loss clause	()	
Form FSA 441-5, "Subordination Agreement" if required from other lienholders to FSA	()	
Form FmHA 441-10, "Nondisturbance Agreement"	()	
Form FSA 460-2, "Subordination By The Government"	()	
Form FSA 1927-1 OR, "Real Estate Mortgage" (on all real property and fixtures)	()	
Form RD 1927-4, "Transmittal of Title Information"	()	
Form RD 1927-5, "Affidavit Regarding Work of Improvement"	()	
Form FSA-OR 1927-5, "Subordination Agreement in Favor of the Government"	()	
Form RD 1927-15, "Loan Closing Instructions/Loan Closing Statement"	()	
Form RD 1924-2, "Description of Materials"	()	
Form RD 1924-3, "Service Building Specifications"	()	
Other:	()	
Other:	()	
Other:	()	

FOLLOW UP AFTER ISSUANCE OF THE SUBORDINATION

Post to Management System Application Processing Card.		
Post and update MAC including follow-ups date for return of issued subordinations.		